

UNITED STATES DISTRICT COURT
DISTRICT OF NEVADA

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RUSSELL ROAD FOOD AND BEVERAGE,
LLC, a Nevada limited liability company,

Plaintiff,

v.

FRANK SPENCER, an individual; CRAZY
HORSE CONSULTING, INC., an Ohio
corporation; and DOES 1 – 50, inclusive,

Defendants.

2:12-CV-01514-LRH-GWF

ORDER

Before the Court is Plaintiff Russell Road Food and Beverage, LLC's ("Russell Road") Motion for Summary Judgment. Doc. #45.¹ Defendants Frank Spencer ("Spencer") and Crazy Horse Consulting, Inc. ("CHC") (collectively "Defendants") filed a Response (Doc. #47), to which Russell Road replied (Doc. #49).

I. Factual Background

This is a trademark dispute. Defendants claim to own trademark rights to the CRAZY HORSE mark and assert that Russell Road's use of its CRAZY HORSE III mark infringes on these rights. On the other hand, Russell Road asserts that a co-existence and consent agreement between Russell Road and Defendants entitles it to use the CRAZY HORSE III mark and, thus, Defendants are contractually prohibited from asserting trademark claims against Russell Road for its use of the

¹ Refers to the Court's docket number.

1 CRAZY HORSE III mark. Russell Road filed this lawsuit in an effort to obtain declaratory relief
2 of non-infringement of the CRAZY HORSE trademark.

3 **A. History of the Crazy Horse Trademark**

4 Presently, both Spencer and Russell Road operate strip clubs featuring nude female
5 dancing.² Spencer's Ohio strip clubs are called "Crazy Horse Cleveland," "Crazy Horse Men's
6 Club," and "Platinum Horse Brook Park." Spencer Decl., Doc. #16, ¶ 6. Spencer has continuously
7 operated Ohio strip clubs under the Crazy Horse name since 1978. *Id.* at ¶ 4. Russell Road's Las
8 Vegas, Nevada strip club is called "Crazy Horse III." Sostilio Decl., Doc. #19-1, ¶ 2. Russell Road
9 first used this name in 2009. *Id.* In 2006, Carl Reid ("Reid")—yet another owner of a Crazy Horse
10 strip club, this time in South Carolina—applied for and received federal registration of the Crazy
11 Horse trademark for "exotic dance performances." Spencer Decl., Doc. #16, Ex. F. Thereafter,
12 Reid also registered the PURE GOLD'S CRAZY HORSE trademark. *Id.*, Ex. J.

13 **B. Assignment of Trademark Co-Existence Agreement to Russell Road**

14 In 2009, a Nevada company called Crazy Horse Too A Gentleman's Club ("CHTAGC")
15 and Reid became involved in administrative litigation before the United States Patent and
16 Trademark Office's ("USPTO") Trademark Trial and Appeal Board ("TTAB"). CHTAGC
17 resolved their dispute by entering into a Trademark Co-Existence Agreement (hereinafter "Consent
18 Agreement") on September 16, 2009.³ Tarabichi Decl., Doc. #45-1, Ex. B. The Consent
19

20 ² Courts have alternatively referred to these businesses as "nude dancing establishments,"
21 "gentlemen's clubs," and "exotic entertainment" establishments. *See, e.g., City of Erie v. Pap's A.M.*,
22 529 U.S. 277, 283 (2000). The Court here follows the conventions of Circuit authority in adopting the
23 term "strip club." *See, e.g., E.S.S. Entertainment 2000, Inc. v. Rock Star Videos, Inc.*, 547 F.3d 1095,
24 1097 (9th Cir. 2008).

25 ³ To the extent Defendants contend that no good will was transferred with the rights supposedly
26 granted to CHTAGC by the Consent Agreement, that CHTAGC never acquired any tangible or
intangible goods of the unrelated club Crazy Horse Too or of Reid's business, that CHTAGC never
used any "Crazy Horse" mark in connection with the operation of any business, that CHTAGC
abandoned the only trademark registration it attempted pursuant to the Consent Agreement, and that
CHTAGC is a defunct corporation (Doc. #47, pp. 12-13), the Court finds these allegedly disputed facts

1 Agreement specifically provides the following:

2 Mr. Reid consents to [CHTAGC's] use and registration of the CRAZY HORSE
3 TOO GENTLEMEN'S CLUB mark in standard characters, . . . , and any mark that
4 includes the phrase CRAZY HORSE provided the mark does not contain the phrase
5 PURE GOLD'S, the terms PURE or GOLD'S, or any phrase or term confusingly
6 similar to PURE GOLD'S. Mr. Reid further agrees not to oppose, petition to cancel,
7 or otherwise interfere with [CHTAGC'S] use and registration of such marks.

8 *Id.* Additionally, CHTAGC and Reid agreed that the Consent Agreement would be binding on
9 their successors, assigns, and licensees:

10 This Agreement shall be binding upon and shall inure to the benefit of the parties
11 hereto, their respective successors, assigns and licensees, and any corporation which
12 owns or controls or is owned or controlled by any party or with which any party has
13 common ownership or control.

14 *Id.* On August 16, 2012, CHTAGC assigned all of its rights, title, and interest in and to the
15 Consent Agreement to Russell Road.⁴ Tarabichi Decl., Doc. #45-1, Ex. E. Pursuant to the terms of
16 the Assignment of Trademark Co-Existence Agreement (hereinafter "Assignment Agreement"),
17 CHTAGC and Russell Road agreed that "[CHTAGC] shall assign all of [its] rights, title, and
18 interest in and to the [Consent Agreement]" *Id.*

19 **C. Assignment of Trademark to CHC**

20 On December 10, 2010, Reid assigned the CRAZY HORSE trademark to Spencer's wholly
21 owned licensing entity CHC. Spencer Decl., Doc. #16, Ex. F. Spencer paid \$10,000 to Reid for
22 the assignment. Tarabichi Decl., Doc. #45-1, Ex. D, No. 57. At the time, Spencer was aware of the

23 _____
24 to be immaterial to a determination of the present Motion for Summary Judgment.

25 ⁴ Defendants assert that Russell Road offers no evidence of any consideration paid or
26 transferred to CHTAGC in exchange for the assignment of the Consent Agreement. *See* Doc. #47, p.
12. Thereafter, Russell Road submitted evidence that it paid CHTAGC \$2,500 in exchange for the
Consent Agreement assignment. Salvador Decl., Doc. #49-1, ¶4; Lenson Decl, Doc. #49-2, ¶3.
Defendants do not appear to contest this evidence of consideration. To the extent Defendants assert
that no good will was transferred with the rights supposedly granted to Russell Road under the Consent
Agreement, the Court finds this allegedly disputed fact to be immaterial to a determination of the
present Motion for Summary Judgment.

1 Consent Agreement between CHTAGC and Reid. Tarabichi Decl., Doc. #45-1, Ex. D, Nos. 13 &
 2 14. The Trademark Assignment provided the following:

3 WHEREAS [Reid] . . . is the owner of record of the entire right, title and interest in
 4 and to the U.S. trademark registration identified in Exhibit A hereto, which is made
 a part hereof, and of the goodwill of the business connected therewith; and

5 . . .

6 . . . Reid does hereby sell, assign and transfer unto CHC, the entire right, title and
 7 interest in and to the trademark registration identified in Exhibit A and to any and all
 renewals thereof, together with the goodwill of the business connected with the use
 8 of and symbolized by said trademark and registration thereof, including without
 limiting the generality of the foregoing, the right to all claims that [Reid] may have
 9 for damages for past infringement of the U.S. trademark registration identified in
 Exhibit A hereto and the right to sue and collect such damages, all said rights to be
 10 held and enjoyed by CHC for its own use and enjoyment and for the use and
 enjoyment of his successors as fully and entirely as the same would have been held
 11 by [Reid] had this assignment not been made.

12 *Id.* Following the assignment of the CRAZY HORSE trademark, Defendants engaged in licensing
 13 negotiations with Russell Road. Lenson Decl., Doc. #19-2, ¶¶ 2-3. When these negotiations went
 14 nowhere, Russell Road brought the present declaratory action for non-infringement of Defendant's
 15 CRAZY HORSE trademark. Doc. #1, pp. 10-12.

16 **II. Legal Standard**

17 Summary judgment is appropriate only when the pleadings, depositions, answers to
 18 interrogatories, affidavits or declarations, stipulations, admissions, and other materials in the record
 19 show that "there is no genuine issue as to any material fact and the movant is entitled to judgment
 20 as a matter of law." Fed. R. Civ. P. 56(a). In assessing a motion for summary judgment, the
 21 evidence, together with all inferences that can reasonably be drawn therefrom, must be read in the
 22 light most favorable to the party opposing the motion. *Matsushita Elec. Indus. Co. v. Zenith Radio*
 23 *Corp.*, 475 U.S. 574, 587 (1986); *Cnty. of Tuolumne v. Sonora Cmty. Hosp.*, 236 F.3d 1148, 1154
 24 (9th Cir. 2001).

25 The moving party bears the initial burden of informing the court of the basis for its motion,
 26 along with evidence showing the absence of any genuine issue of material fact. *Celotex Corp. v.*

1 *Catrett*, 477 U.S. 317, 323 (1986). On those issues for which it bears the burden of proof, the
2 moving party must make a showing that is “sufficient for the court to hold that no reasonable trier
3 of fact could find other than for the moving party.” *Calderone v. United States*, 799 F.2d 254, 259
4 (6th Cir. 1986); *see also Idema v. Dreamworks, Inc.*, 162 F. Supp. 2d 1129, 1141 (C.D. Cal. 2001).
5 On an issue as to which the non-moving party has the burden of proof, however, the moving party
6 can prevail merely by demonstrating that there is an absence of evidence to support an essential
7 element of the non-moving party’s case. *Celotex*, 477 U.S. at 323.

8 To successfully rebut a motion for summary judgment, the non-moving party must point to
9 facts supported by the record which demonstrate a genuine issue of material fact. *Reese v.*
10 *Jefferson Sch. Dist. No. 14J*, 208 F.3d 736 (9th Cir. 2000). A “material fact” is a fact “that might
11 affect the outcome of the suit under the governing law.” *Anderson v. Liberty Lobby, Inc.*, 477 U.S.
12 242, 248 (1986). Where reasonable minds could differ on the material facts at issue, summary
13 judgment is not appropriate. *See v. Durang*, 711 F.2d 141, 143 (9th Cir. 1983). A dispute
14 regarding a material fact is considered genuine “if the evidence is such that a reasonable jury could
15 return a verdict for the nonmoving party.” *Liberty Lobby*, 477 U.S. at 248. The mere existence of a
16 scintilla of evidence in support of the party’s position is insufficient to establish a genuine dispute;
17 there must be evidence on which a jury could reasonably find for the party. *See id.* at 252.

18 **III. Discussion**

19 Here, the undisputed material facts, as set forth above, demonstrate that Russell Road is
20 entitled to summary judgment as a matter of law on its first claim for declaratory judgment of non-
21 infringement. Defendants—as the assignees of the CRAZY HORSE trademark—are bound by the
22 Consent Agreement, which was executed by Reid and CHTAGC and then later assigned to Russell
23 Road. Defendants dispute the validity of the Consent Agreement between Reid and CHTAGC.
24 Nevertheless, Defendants’ arguments are premised on the misplaced notion that the Consent
25 Agreement contemplated an assignment of trademark ownership rights. Specifically, Defendants
26 assert that the Consent Agreement is invalid because (1) no good will was transferred with the

1 rights supposedly granted to CHTAGC by the Consent Agreement, (2) CHTAGC never acquired
2 any tangible or intangible goods of the unrelated club Crazy Horse Too or of Reid's business, and
3 (3) CHTAGC abandoned the trademark rights it acquired by virtue of the Consent Agreement
4 because it never used any "Crazy Horse" mark in connection with the operation of any business and
5 because it abandoned the only trademark registration it attempted pursuant to the Consent
6 Agreement. *See* Doc. #47, pp. 12-13.

7 Defendants misunderstand the nature of the Consent Agreement. Consent agreements, or
8 co-existence agreements, are contracts whereby a trademark owner consents to another party's
9 defined usage of a mark. *See* 3 McCarthy on Trademarks and Unfair Competition § 18:79 (4th ed.
10 2014); *see also Brennan's Inc. v. Dickie Brennan & Co. Inc.*, 376 F.3d 356, 365 (5th Cir. 2004)
11 ("[i]n the usual case, a consent-to-use agreement contemplates that there will be no marketplace
12 confusion as long as the consentee's uses are confined in accordance with the contract"); *Croton*
13 *Watch Co. v. Laughlin*, 208 F.2d 93, 96 (2d Cir. 1953) (an admission that there is no confusion is
14 implicit in a consent agreement even where not expressly stated).⁵ So long as the parties are using
15 the mark in a manner permitted by the consent agreement, the trademark owner is contractually
16 prohibited from asserting trademark infringement. *Brennan's*, 376 F.3d at 364-68. Moreover, a
17 consent agreement is distinguishable from an assignment because "neither party is assigning any
18 rights of ownership in their mark to the other." McCarthy at § 18:79.

19 Accordingly, Defendants' arguments that CHTAGC abandoned the rights it acquired by
20 virtue of the Consent Agreement, if any, are completely inapposite. The Consent Agreement did
21 not purport to assign any rights of ownership in the CRAZY HORSE mark to CHTAGC. Rather, it
22 was a contract whereby Reid consented to a defined usage of the CRAZY HORSE mark.

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24 ⁵ The Consent Agreement expressly contemplates that there will be no confusion. *See*
25 Tarabichi Decl., Doc. #45-1, Ex. B ("The parties agree to cooperate and to take such reasonable steps
26 as may be mutually agreeable for the purpose of avoiding any likelihood of confusion. Should the
parties become aware of any actual confusion among the purchasing public, they shall cooperate and
take reasonable measures to prevent further confusion.").

1 Defendants do not dispute that Russell Road's use of the CRAZY HORSE III design mark is
2 permitted by the terms of the Consent Agreement. Moreover, the plain language of the Consent
3 Agreement provides that CHTAGC and its assigns may *use* or register "*any mark* that includes the
4 phrase CRAZY HORSE provided the mark does not contain the phrase PURE GOLD'S, the terms
5 PURE or GOLD'S, or any phrase or term confusingly similar to PURE GOLD'S." CRAZY
6 HORSE III does not contain the phrase PURE GOLD'S, the terms PURE or GOLD'S, or any
7 phrase or term confusingly similar to PURE GOLD'S. Finally, nothing in the Consent Agreement
8 requires that CHTAGC or its assigns register permissible marks in order to use them. As such, the
9 fact that the USPTO rejected Russell Road's applications for variants of the CRAZY HORSE III
10 mark has no bearing on whether Russell Road had permission under the Consent Agreement to use
11 that mark without interference from Reid or his assigns.

12 Similarly, Defendants dispute that CHTAGC's assignment of the Consent Agreement to
13 Russell Road was a valid and enforceable assignment. Specifically, Defendants assert that
14 CHTAGC's trademark assignment to Russell Road is unenforceable because CHTAGC did not
15 transfer any good will. Again, Defendants' arguments are premised on the misplaced notion that
16 CHTAGC sought to assign ownership rights in the CRAZY HORSE trademark to Russell Road.
17 However, because CHTAGC did not acquire any ownership rights in the CRAZY HORSE mark, its
18 assignment of the Consent Agreement could not have purported to either. Instead, CHTACG
19 assigned its contractual right under the Consent Agreement to use the CRAZY HORSE mark in a
20 defined manner to Russell Road.

21 Defendants do not otherwise dispute that the Assignment Agreement is a valid assignment
22 of CHTACG's contractual rights under the Consent Agreement. Moreover, there is no indication
23 that the Assignment Agreement was otherwise prohibited by law. *See Easton Bus. Opp. v. Town*
24 *Exec. Suites*, 230 P.3d 827, 830 (Nev. 2010) ("[u]nder the ordinary rules of contract law, a
25 contractual right is assignable unless assignment materially changes the terms of the contract or the
26 contract expressly precludes assignment"); *Rush Beverage Co., Inc. v. So. Beach Beverage Co.*,

1 *Inc.*, No. 01 C 5684, 2002 WL 31749188, at *4 (N.D. Ill. Dec. 6, 2002) (enforcing consent
2 agreement where both parties had assigned their rights thereunder). Here, the Consent Agreement
3 does not contain any language prohibiting assignment. In fact, it actually contemplates that the
4 agreement would bind assigns. Nor is there any indication that the Assignment Agreement
5 materially changed the terms of the Consent Agreement. Accordingly, the Court finds that
6 CHTACG's assignment of its rights under the Consent Agreement to Russell Road is valid and
7 enforceable.

8 Finally, Defendants do not dispute that Reid's assignment of the CRAZY HORSE
9 trademark was burdened by the terms of any valid contracts in existence at the time of the
10 assignment, including the Consent Agreement. Moreover, Defendants admit to having notice of
11 the Consent Agreement before they purchased the CRAZY HORSE mark from Reid. Tarabichi
12 Decl., Doc. #45-1, Ex. D, Nos. 13 and 14. Indeed, when a trademark is validly assigned, the
13 assignee steps into the shoes of the assignor. *See Premier Dental Prod. Co. v. Darby Dental*
14 *Supply Co.*, 794 F.2d 850, 853 (3d Cir. 1986) ("following a proper assignment [of a trademark], the
15 assignee steps into the shoes of the assignor"). In doing so, the assignee assumes the rights and
16 obligations of the assignor, including those that flow from the terms of any existing consent
17 agreements burdening the trademark. *See Cal. Packing Corp. v. Sun-Maid Raisin Growers of Cal.*,
18 81 F.2d 674, 676 (9th Cir. 1936) (appellee could not convey any right to the use of the trademark
19 which it did not own, and that right had been expressly limited by contract); *see also* McCarthy at §
20 18:15 ("[a]n assignee [of a trademark], by following in the footsteps of the assignor, acquires not
21 only all the favorable rights and priorities of the assignor, but also any burdens and limitations on
22 use that were incumbent on the assignor"). Accordingly, the Court finds that Defendants, as
23 assignees of the CRAZY HORSE trademark, are bound by the Consent Agreement.

24 **IV. Conclusion**

25 For all of the aforementioned reasons, the Court finds that summary judgment in favor of
26 Russell Road on its first claim for declaratory judgment of non-infringement is appropriate. The

1 Court explicitly finds the following: (1) the Consent Agreement and the Assignment Agreement are
2 valid and enforceable contractual instruments; (2) Defendants—as the assignees of the CRAZY
3 HORSE trademark—are bound by the Consent Agreement that was entered into by Reid and
4 CHTAGC and then later assigned to Russell Road; and (3) The Consent Agreement explicitly
5 permits CHTAGC and its assignee Russell Road to “use and register” its CRAZY HORSE III
6 design mark without interference from Reid and his assignee CHC. Because the Court’s
7 declaration of non-infringement serves to allow Russell Road’s continued use of its CRAZY
8 HORSE III mark, Russell Road’s remaining claims are dismissed as moot.⁶ Finally, the Court also
9 finds that summary judgment in favor of Russell Road is also appropriate on Defendants’
10 counterclaims, each of which stem from an allegation of infringement.

11 Defendants argue that, to the extent the Court is unpersuaded by their arguments, Russell
12 Road’s Motion for Summary Judgment should be stayed or denied due to the unavailability of facts
13 necessary to oppose the Motion. Nevertheless, Defendants have not met their burden in requesting
14 that the Court stay or deny Russell Road’s Motion for Summary Judgment pursuant to Federal Rule
15 of Civil Procedure 56(d). “Under FRCP Rule 56(d), a party requesting additional time to conduct
16 discovery to oppose summary judgment ‘must show: (1) it has set forth in affidavit form the
17 specific facts it hopes to elicit from further discovery; (2) the facts sought exist; and (3) the
18 sought-after facts are essential to oppose summary judgment.’” *NFBN-RESCON I, LLC v. Ritter*,
19 No. 2:11-CV-01867-GMN-VCF, 2013 WL 3168646, at *1 (D. Nev. June 19, 2013) (quoting
20 *Family Home & Fin. Ctr., Inc. v. Fed. Home Loan Mortg. Corp.*, 525 F.3d 822, 827 (9th
21 Cir.2008)). If these three requirements are not satisfied, the court may rule on summary judgment
22 without granting additional discovery. *Id.*

23 In support of their request, Defendants insinuate that they need additional discovery and
24 further assert that they have been unable to investigate the validity of the Consent Agreement and
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26 ⁶ Russell Road consents to the dismissal of its remaining claims. *See* Doc. #45, p. 16.

1 Assignment Agreement because the subpoenas issued to CHTAGC and its owner John Salvador
2 could not be delivered to their last known address. Nevertheless, Defendants do not identify
3 specific facts they hope to elicit from further discovery. In similar fashion, Defendants do not
4 assert that the unidentified discovery they seek exists or that it is essential to oppose Russell Road's
5 Motion for Summary Judgment. Accordingly, Defendants request is denied.

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7 IT IS THEREFORE ORDERED that Russell Road's Motion for Summary Judgment (Doc.
8 #45) is GRANTED. The Clerk of Court shall enter judgment in favor of Plaintiff Russell Road,
9 and against Defendants Spencer and CHC as to Russell Road's first cause of action for declaratory
10 judgment and as to all of Defendant's counterclaims in this action. Russell Road's remaining
11 claims shall be dismissed without prejudice in accordance with this Order.

12 IT IS SO ORDERED.

13 DATED this 6th day of May, 2014.

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16 LARRY R. HICKS
17 UNITED STATES DISTRICT JUDGE
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